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SUBJECT: PANAMA POST: EDITION X - "THE PEDRO MIGUEL
GONZALEZ EDITION"

REF: PANAMA 1430 (AND PREVIOUS)

Classified By: Ambassador William A. Eaton. Reasons:
1.4 (b) and (d)

Summary

1. (C) This week's politics -- and in turn this week's edition of the Panama Post -- was dominated by the race to become the next President of the National Assembly and the prospects that Pedro Miguel Gonzalez (PMG), a fugitive from U.S. justice in connection with the 1992 murder of U.S. serviceman Zak Hernandez, would prevail. The following are our PMG-related stories that were not reported elsewhere:

- former President Ernesto "El Toro" Perez Balladares reaches out to Panamenista Secretary General and National Assembly Deputy Francisco "Pancho" Aleman to propose a "governability pact" for the legislature;
- former President Mireya Moscoso's aide Eduardo Quiros dishes PMG-related dirt;
- Panama City Mayor Juan Carlos Navarro's emissary passes message that Navarro opposes PMG and remains friend of U.S.

In other news, Ambassador hosted a lunch in honor of Democratic Change (CD) President and current opposition presidential front-runner Ricardo Martinelli:

- Moscoso believes former President Guillermo Endara and presidential aspirant Alberto Vallarino need to come to terms;
- Martinelli seeks to lead opposition in new direction; and
- Panamanian politics and the George Costanza effect.

"Governability" Pact for National Assembly

2. (C) Former President Ernesto "El Toro" Perez Balladares "reached out to me to see if I was interested in seeking to establish a governability pact for the National Assembly," Panamenista Secretary General and National Assembly Deputy Francisco "Pancho" Aleman told POLCOUNS on August 29. "El Toro said he could deliver ten PRD deputies." Aleman explained that he believed that El Toro reached out to him since both had reached a similar arrangement during the Moscoso Administration to form a majority in the National

Assembly. While non-committal, Aleman said that he told Perez Balladares that they should stay in touch as the race for National Assembly President continued to evolve. "Our candidate for National Assembly President will be Wigberto Quintero," a Movement of Liberal Republic Nationalists (MOLIRENA) Deputy, according to Aleman. "We will be looking for a rebellion in the PRD rank and file; they're not all happy with how the PRD bloc selected Pedro Miguel Gonzalez." Agreeing that First VP and FM Samuel Lewis' presidential aspirations were at stake in the outcome of the race for President of the National Assembly, Aleman also asserted that President Torrijos' position as PRD Secretary General was also hanging in the balance.

13. (C) Inquiring whether the U.S. suggested that Torrijos shuffle his cabinet to open political space to resolve his PMG problem, POLCOUNS assured Aleman that Torrijos flew solo on his decision to request the resignations of all of his ministers. Aleman said that he had heard rumblings that Torrijos would name all of his new ministers, except for one that he would set aside for PMG. Once elected National Assembly President, PMG would be offered the remaining ministerial portfolio thereby allowing PMG to win election but then be moved out of the way, Aleman explained. POLCOUNS noted that PMG's legal problems would remain the same regardless of which high-level position he held.

14. (C) Comment: Such a national governability pact is an extremely long shot that would require the PRD to break ranks, a possibility that is inconceivable for most PRD loyalists. If true though, this development suggests that the PRD's internal troubles are more profound and the willingness of important PRD leaders to maneuver for political advantage is greater than previously believed. Important PRD players -- for example, Torrijos, Lewis, Minister of Housing Balbina Herrera, current Assembly President Elias Castillo, Perez Balladares, Panama City Mayor Juan Carlos Navarro, Assembly Deputy Hector Aleman and Assembly Majority Leader Leandro Avila -- are all on the move and angling for advantage. If the race for President of the National Assembly plays out in a bloody fashion, then Torrijos' claim to lead the PRD will be in question.

Moscoso Aide Dishes

15. (C) The Panama Post sat down with former President Mireya Moscoso's closest aide and former Minister of Public Works, Eduardo Quiros. The following are some of the morsels that Quiros shared with the Panama Post:

-- Pedro Miguel Gonzalez (PMG) Serving as President Martin Torrijos' Intermediary in Land Deal: "Martin is buying land in Pedro Miguel's district in Santa Fe, Veraguas, and Pedro Miguel is his 'realtor' in the area," Quiros asserted. Apparently, well-known traditional Panamanian musician Sammy Sandoval was interested in buying a small island in Veraguas and was making significant progress with the owner in closing the deal. That was until Sandoval got a call from the owner who stated that he had been visited by "a deputy" who offered a "bit more" than Sandoval, so the island's owner was going to sell to the new offerer. Allegedly, Sandoval said that the new purchaser was none other than Torrijos and that the deputy in question was PMG.

-- PMG Promising Panamenista National Assembly Deputies Access to Funds, If Elected: Inquiring with Panamenista deputies as to why they were not making more political hay out of PMG's candidacy to be the next President of the National Assembly, Quiros said that he learned that PMG was offering Panamenista deputies who stayed quiet access to the chamber's USD 38 million/year allotment. As these Panamenistas' votes were irrelevant to the ultimate election of the National Assembly President (the governing Revolutionary Democratic Party (PRD) holds 45 of the chamber's 75 seats), Quiros explained that the deputies would just as soon take the funds that they would need for

reelection.

¶6. (C) Comment. Who knows if it is true that PMG is acting as Torrijos' "realitor" in Veraguas; while believable, the Panama Post has no independent confirmation. Knowing that Torrijos and PMG have long-standing, close personal ties, it is indeed possible that the two are cooperating in this fashion. As for rumors that PMG is handing out IOUs backed by the Assembly's annual allotment, these rumors also are believable but not confirmable. If PMG ends up facing only token opposition rejection, then one does not need to reach far to surmise that muted opposition came with a high price.

Navarro Sends Message That He is Still a Friend of the U.S.

¶7. (C) "The mayor wants the Embassy to know that he is still a friend of the United States and opposes the election of Pedro Miguel Gonzalez for President of the National Assembly," Panama City Mayor Juan Carlos Navarro's aide Ivan Gonzalez told POLCOUNS on August 29. Noting that the Panama City Council had unanimously adopted a resolution supporting PMG's candidacy to head the legislature, Gonzalez -- no relation to PMG -- pointed out that this resolution was put forward by PMG's cousin and that Navarro had refused to sign it. "The PRD is making a big mistake in giving Pedro Miguel this leadership position. The mayor remains a strong proponent of the Trade Promotion Agreement a fears that this development will jeopardize it," Gonzalez added.

¶8. (C) Comment: Navarro smelled a political opportunity to outflank his cousin, First VP and FM Samuel Lewis, by laying claim to the "most pro-U.S. PRD politician" title. Indeed Navarro's emissary went to great lengths to stress that Navarro wanted the Ambassador to receive this message before the PRD's National Assembly bloc dubbed PMG its nominee to be President of the National Assembly. The Panama Post also notes, however, that Navarro has made no public statements regarding his opposition to PMG or his desire to remain a

close friend of the U.S. He did, however, attend the PRD bloc's meeting at which PMG was elected by 41 yes votes, zero no votes, one abstention, and three absences.

Moscoso: Endara and Vallarino Need to Come to Terms

¶9. (C) Moscoso was "convinced that the PRD will win again in 2009 if former President and President of the Moral Vanguard of the Nation (VMP) Guillermo Endara and former presidential candidate and recently re-enlisted Panamenista member Alberto Vallarino did not come to terms and agree not to oppose one another, Moscoso aide Eduardo Quiros told the Panama Post on August 28. "Because he is in a better position in the polls, Endara is in a better position to lay claim to being the opposition's presidential candidate, but Vallarino's ego will not let him be Endara's vice presidential running mate," Quiros explained. On the other hand, however, when Endara found out that Vallarino would be the keynote speaker at Moscoso's graveside event to commemorate the death of her husband and Panamenista Party founder Arnulfo Arias, Endara felt sufficiently threatened to demand to speak as well. Quiros said that Moscoso believed that the opposition should persuade Endara's wife -- Ana Mae Diaz de Endara -- to convince Endara to be Vallarino's running mate. (Rather like Cher or Madonna, Endara's wife is simply known as Ana Mae, a nod to her diva-esque reputation.) In turn, Moscoso believed that the Panamenistas would then finance her campaign for mayor of Panama City, "what she really wants."

¶10. (C) Comment: Moscoso is widely believed to be presently backing Vallarino to be the opposition (aside from Martinelli and his CD party) candidate for president, so it should come as no surprise that she would like to see Endara become Vallarino's vice presidential running mate. Why though would Endara, who has already topped the ticket and who leads

Vallarino in the polls, take second billing? Quiros does, however, provide a plausible reason for Endara and Vallarino sharing the podium at the Arnulfo Arias commemoration, if indeed Moscoso is trying to facilitate a coming to terms between the two presidential aspirants.

Martinelli Comes to Lunch

¶11. (C) "If we don't find an alternative to Panama's traditional politics that successfully addresses Panama's challenges, then in five to ten years Panama will face a social explosion," Democratic Change (CD) President and presidential candidate Ricardo Martinelli told the Ambassador on August 28. Accompanied by his closest advisors -- CD VP Roberto Henriquez, Economic Advisor (and AMCIT) Frank de Lima, and campaign manager Ricardo Quijano -- Martinelli forcefully asserted that he was the viable alternative to avert such a social explosion by fighting corruption, creating jobs, and improving the lives of average Panamanians. "We are going to reach out to average Panamanians to advance our cause by giving them hope," Martinelli said. Regarding the proposed inter-party primary, Martinelli said that he would not participate, even if those Panamanians who were not members of opposition parties could participate. (Note: Panamanian law permits only those citizens who are members of an opposition party to participate in an interparty primary.) Quijano explained that an interparty primary would give a distinct advantage to the Panamenista Party, the largest opposition party, that would be out of proportion for the support for its candidates. Also, Quijano said Panamanians who were not even motivated to enlist with a party were unlikely to go to the polls. Martinelli said that he did not think that Panama's opposition politicians were mature enough to accept the results and then fall in behind the interparty primary's winner, "Instead, the winner would be left to try to consolidate the opposition fractured by disgruntled losers. It would be better to build political alliances that strengthen the opposition candidate, not participate in an electoral process that would weaken the opposition," Martinelli claimed. Leaving the door open to forming alliance's on the CD's terms, Martinelli said that the focus right now was on strengthening CD's structure and organization. Henriquez added that the CD would soon surpass Patriotic Union (UP) in terms of membership and that the CD would have a nationwide, precinct-by-precinct organization established.

¶12. (C) Comment: Martinelli remains supremely confident at his prospects, and there is no doubt that he will run for president in 2009. He is not, however, a shoo-in for to lead the opposition or to defeat the PRD. Martinelli himself acknowledged that the elections are still many months away, and there is still much that can happen.

Panamanian Politics and the George Costanza Method

¶13. (C) "The worst political analysts and the last people from whom anybody should take political advice in Panama are the upper and middle class. They don't know what's really going on," Democratic Change (CD) Vice President Roberto Henriquez asserted during Martinelli's August 28 lunch with Ambassador. "You should listen to them and do the exact opposite if you want to succeed in Panamanian politics." Asked by DCM who of the four CD pols present was a member of the super elite Panama City social club "Club Union," all four -- Martinelli, Henriquez, Frank de Lima and Ricardo Quijano -- admitted to belonging to this bastion of Panama's upper class.

¶14. (C) Comment: Essentially, Henriquez was proposing an approach reminiscent of the strategy by George Costanza, the hapless Seinfeld character who was constantly falling into misfortune, who turned around his fortunes by doing the exact

opposite of what his instincts normally told him to do. It remains to be seen, however, if adherence to such a George Costanza effect would pay off or if Martinelli and his CD elites have any true insight into Panama's "popular" sectors.

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